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**FISCAL IMPACT STATEMENT**

**LS 7389**

**BILL NUMBER:** HB 1371

**NOTE PREPARED:** Mar 3, 2003

**BILL AMENDED:** Mar 3, 2003

**SUBJECT:** Borrowing for annexation expenses.

**FIRST AUTHOR:** Rep. Moses

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill authorizes Fort Wayne to make loans each year through 2006 to provide services to annexed areas. The bill also voids an annexation.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** (Revised) The state would not pay property tax replacement credits or Homestead Credits on the levy used to retire this debt.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) This bill would permit the City of Fort Wayne to secure loans not exceeding 5% of the city's non-debt property tax levy each year through 2006. In CY 2002, Fort Wayne's total gross property tax levy equaled \$61.3 M. There were no debt service or lease/rental levies. Based on the 2002 levy, the city would be able to borrow about \$3 M per year in 2003, 2004, 2005, and 2006 for a total of \$12 M. However, Fort Wayne's property tax levy was \$22.6 M under its maximum levy in 2002. If the city were to levy its entire maximum levy, then the loans would be limited to about \$4.2 M per year for a total of \$16.8 M.

The loans would each carry a term of up to five years. The levies needed to make loan payments would be subject to the city's current maximum levy limitation. Therefore, this bill would not add any additional levy authority to the city.

According to the bill, the city would not have to seek approval to incur this debt from the Local Property Tax Control Board or the Department of Local Government Finance. The debt issue would also not be subject to the petition/remonstrance procedure for controlled projects.

*Voided Annexation:* This bill would also void an annexation if the annexation ordinance was adopted before July 1, 1999 and the effective date of the annexation is after June 30, 2003. Since this annexation has not yet taken effect, the municipality's assessed value base and tax rate have not yet been adjusted for the annexed property. Voiding the annexation would keep the annexed area's valuation from becoming part of the municipality's tax base. The municipality would not have to provide services to this area.

**State Agencies Affected:**

**Local Agencies Affected:** City of Fort Wayne.

**Information Sources:** Local Government Database.

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